

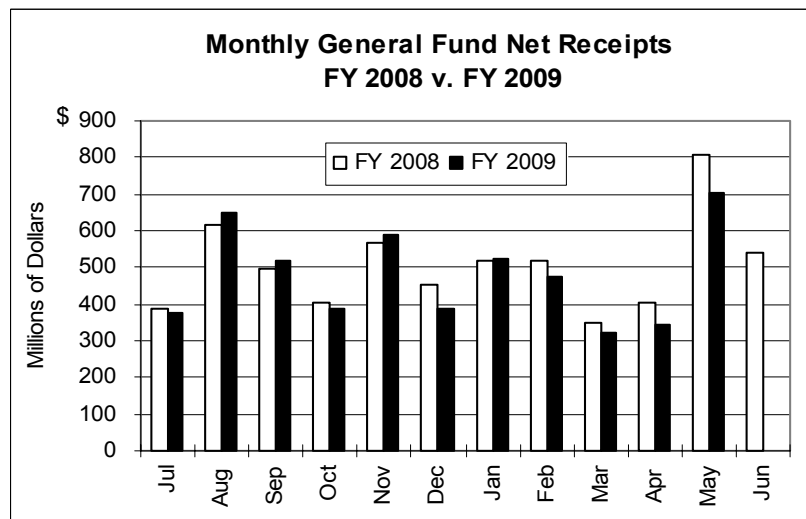
TO: Members of the Iowa Senate and
Members of the Iowa House of Representatives

FROM: Jeff Robinson and Shawn Snyder

DATE: June 1, 2009

Monthly General Fund Receipts through May 31, 2009

The attached spreadsheet presents FY 2009 General Fund total net receipts with comparable figures for actual FY 2008. The figures can be compared to the FY 2009 estimate of \$5.862 billion set by the Revenue Estimating Conference (REC) on March 20, 2009. The FY 2009 estimate is a decrease of \$157.9 million (- 2.6%) compared to actual FY 2008 total net receipts (excludes transfers). The next REC meeting has not been scheduled.



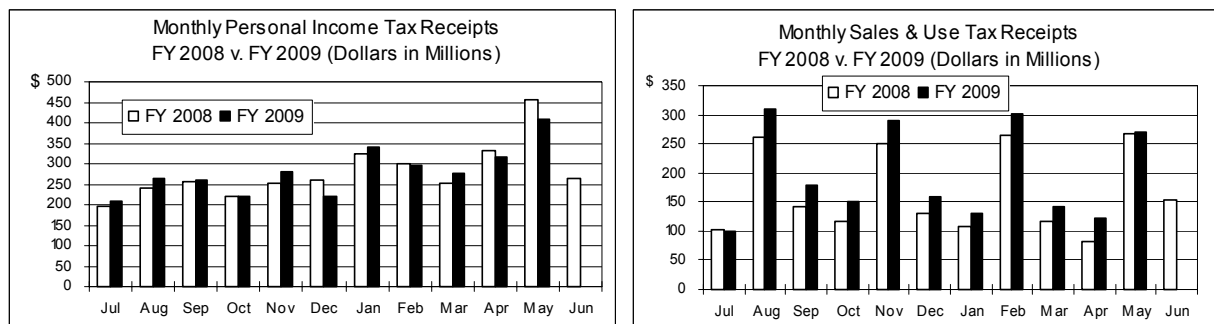
FY 2009 Compared to FY 2008

Year-to-date FY 2009 total net receipts (excluding transfers) decreased \$248.3 million (- 4.5%) compared to FY 2008. Major sources and their contribution to the FY 2009 change include:

- Personal income tax (negative \$5.5 million, - 0.2%)
- Sales/use tax (positive \$307.8 million, 16.7%)
- Corporate tax (negative \$56.8 million, - 13.5%)
- Other taxes (negative \$22.7 million, - 5.3%)
- Other receipts (positive \$3.5 million, 1.0%)
- Tax refunds not including school infrastructure refunds (negative \$155.2 million)
- School infrastructure sales/use tax refunds (negative \$319.5 million)

Personal Income Tax revenues received in May totaled \$407.0 million, a decrease of \$50.6 million (- 11.1%) compared to May 2008. Withholding payments were impacted positively by approximately \$10.0 million due to an extra pay period when comparing this month to the previous year. The impact on withholding payments will reverse in June.

The FY 2009 REC income tax estimate of \$3.363 billion represents a projected increase of 0.1% compared to actual FY 2008. Through May, total income tax receipts decreased 0.2%. By subcategory, withholding payments increased by \$66.3 million (2.9%), estimate payments decreased \$26.8 million (- 6.9%), and payments with returns decreased by \$45.0 million (-10.8%). The following chart compares FY 2009 monthly income tax receipts from the three personal income tax subcategories with FY 2008.



Sales/Use Tax receipts received in May totaled \$270.2 million, an increase of \$2.6 million (1.0%) compared to May 2008. The State sales/use tax rate was increased from 5.0% to 6.0% beginning July 1, 2008, with the increase replacing the School Infrastructure Local Option (SILO) sales tax. Beginning in August, sales/use gross tax receipts were no longer adjusted for SILO sales tax payments to school districts. This change is the reason for strong monthly sales/use tax increases in FY 2009.

The REC estimate for FY 2009 sales/use tax receipts is \$2.355 billion, an increase of 17.7% compared to actual FY 2008. Through May, total gross sales/use tax receipts have increased 16.7%. The preceding chart compares FY 2009 monthly sales/use tax receipts with FY 2008.

Corporate Tax receipts received in May totaled \$45.0 million, a decrease of \$9.8 million (- 17.9%) compared to May 2008.

The REC estimate for FY 2009 corporate tax revenue is \$407.3 million, a decrease of 15.8% compared to actual FY 2008. Year-to-date total corporate tax revenue has decreased 13.5%.

Other tax receipts received in May totaled \$48.7 million, a decrease of \$2.4 million (- 4.7%) compared to May 2008. Insurance Premium, Cigarette, Tobacco, and Franchise tax receipts were down for the month.

The REC estimate for other tax revenue is \$479.3 million, a decrease of 3.0% compared to actual FY 2008. Through May, other tax revenue decreased 5.3%.

Other receipts (non-tax receipts) received in May totaled \$28.4 million, an increase of \$5.7 million (25.1%) compared to May 2008. Fees and judicial receipts accounted for \$5.6 million of the increase for the month.

The REC estimate for FY 2009 other receipts revenue is \$374.4 million, a decrease of 1.7% compared to actual FY 2008. Year-to-date total other receipts have increased 1.0%.

Tax Refunds issued in May totaled \$62.2 million, an increase of \$14.9 million (31.5%) compared to May 2008. In addition, school infrastructure refunds totaled \$30.8 million in May.

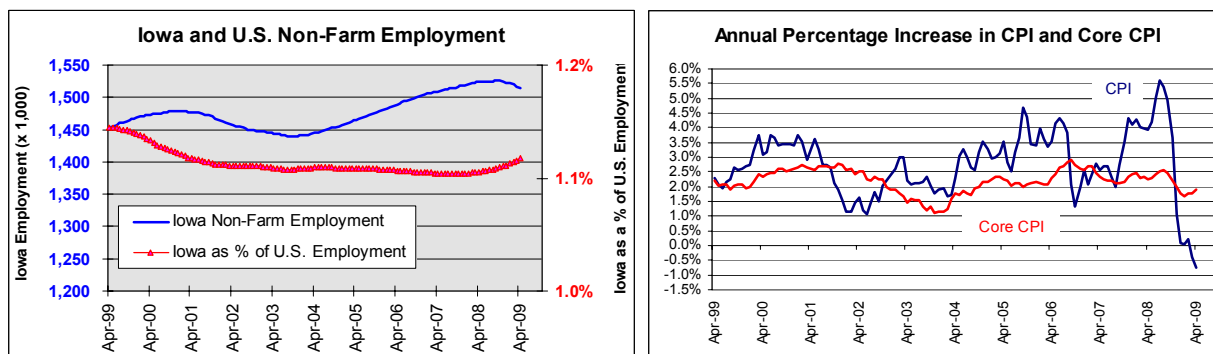
Cash year-to-date tax refunds issued total \$775.6 million, \$155.2 million (25.0%) above the amount through May of last year. In addition, school infrastructure refunds totaled \$319.5 million through May.

Status of the Economy

Iowa non-farm employment was reported at 1,496,800 for the month of April (not seasonally adjusted), 31,700 lower (- 2.1%) than April 2008.

Iowa's 12-month average employment is presented in a graph below. The average non-farm employment pre-2001 recession peak was February 2001 (1,478,700), and the recession low was September 2003 (1,439,900). The 12-month average peaked again in October 2008 at 1,525,400, 46,700 above the 2001 peak and 85,500 above the recession low. The current 12-month average reading is now 1,514,600, so annual average Iowa non-farm employment is 10,900 below the October 2008 peak.

The chart below also presents Iowa non-farm employment as a percent of U.S. non-farm employment. Iowa's share of national non-farm employment decreased noticeably from 1998 through 2002. The decline continued at a much slower pace from 2002 through 2007. Iowa's share of U.S. non-farm employment has been expanding since June 2008 as the rate of economic decline nationally has exceeded the rate of decline in Iowa.



Consumer prices decreased 0.2% during April (not seasonally adjusted). The Consumer Price Index (CPI-U) through March 2009 was 212.7 (1983/84=100). The annual rate of inflation peaked at 5.6% in June 2008 and decreased rapidly in the following months. The annual rate now stands at negative 0.7%, the second consecutive negative annual rate and the lowest rate since 1955.

Core CPI, an inflation measure excluding food and energy expenditures, increased in April and stands at 1.9%, year-over-year. The core inflation rate declined considerably from the early 1990s through January 2004 when the rate bottomed at 1.1%. The core inflation rate accelerated from that point, with most readings between 2.0% and 3.0%. With the onset of the recent recession, the annual core inflation rate has declined and has now been below 2.0% for five months. For the two components excluded from the core rate, energy prices are down 25.2% year-over-year while food prices are up 3.3%.

Information related to State General Fund receipts is available on the Fiscal Services Division's web site at: <http://www.legis.state.ia.us/receipts/daily.html>

GENERAL FUND RECEIPTS - FY 2008 vs. FY 2009 July 1 through May 31 (in millions of dollars) Dollars may not add due to rounding. Percentages Calculated on Rounded Numbers					ESTIMATED GENERAL FUND RECEIPTS (in millions of dollars) FY 08 Actual Compared to FY 09 REC Estimate		
	FY 2008	FY 2009	Year to Date % Change	May % Change	Actual FY 2008	Estimate FY 2009	Projected % Change
Personal Income Tax	\$ 3,095.1	\$ 3,089.6	-0.2%	-11.1%	\$ 3,359.7	\$ 3,363.1	0.1%
Sales/Use Tax	1,845.7	2,153.5	16.7%	1.0%	2,000.2	2,355.1	17.7%
Corporate Income Tax	419.8	363.0	-13.5%	-17.9%	483.8	407.3	-15.8%
Inheritance Tax	69.8	68.6	-1.7%	1.3%	78.4	78.4	0.0%
Insurance Premium Tax	84.8	74.7	-11.9%	-1.7%	111.7	112.9	1.1%
Cigarette Tax	207.8	197.1	-5.1%	-8.3%	229.5	217.0	-5.4%
Tobacco Tax	19.5	21.6	10.8%	-10.0%	21.2	21.8	2.8%
Beer Tax	13.1	13.3	1.5%	0.0%	14.5	14.7	1.4%
Franchise Tax	31.5	28.4	-9.8%	-13.5%	37.6	33.5	-10.9%
Miscellaneous Tax	0.9	1.0	11.1%	100.0%	1.0	1.0	0.0%
Total Special Taxes	\$ 5,788.0	\$ 6,010.7	3.8%	-7.3%	\$ 6,337.5	\$ 6,604.8	4.2%
Institutional Payments	13.4	14.3	6.7%	7.1%	14.9	13.7	-8.1%
Liquor Profits	64.9	73.1	12.6%	0.0%	72.4	81.6	12.7%
Interest	24.9	14.5	-41.8%	-25.0%	25.3	14.7	-41.9%
Fees	75.3	73.3	-2.7%	226.3%	82.1	71.6	-12.8%
Judicial Revenue	81.3	89.3	9.8%	14.3%	90.0	93.3	3.7%
Miscellaneous Receipts	33.7	32.5	-3.6%	4.2%	36.1	39.5	9.4%
Racing and Gaming Receipts	60.0	60.0	0.0%	0.0%	60.0	60.0	0.0%
TOTAL GROSS RECEIPTS	\$ 6,141.4	\$ 6,367.8	3.7%	-6.4%	\$ 6,718.3	\$ 6,979.2	3.9%
Accrued Revenue-Net					-24.0	-0.1	
Tax Refunds *	-620.4	-775.6	25.0%	31.5%	-674.8	-760.0	12.6%
School Infrast. Refunds *	0.0	-319.5			0.0	-357.5	
TOTAL NET RECEIPTS	\$ 5,521.0	\$ 5,272.7	-4.5%	-12.4%	\$ 6,019.5	\$ 5,861.6	-2.6%
* For FY 2008 and FY 2009 Year-to-Date, refunds are listed on a cash basis. For FY 2008 Actual and FY 2009 Estimate, refunds are listed on a fiscal year basis.							